

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 AID-05 COME-00 EB-08

FRB-01 INR-07 TRSE-00 XMB-04 OPIC-06 SP-02 LAB-04

SIL-01 OMB-01 SS-15 STR-04 CEA-01 PM-05 H-02

L-03 PA-02 PRS-01 AGRE-00 HUD-02 ITC-01 FEA-01

ERDA-07 ERDE-00 OES-07 /103 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 803

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E.O. 11652: N/A

TAGS: ETRD, EFIN, JA

SUBJECT: TEXT OF FUKUDA ECONOMIC STIMULUS PACKAGE

1. FOREIGN MINISTRY SUMMONED EC MINISTER AFTERNOON SEPT 3, IMMEDIATELY FOLLOWING CABINET APPROVAL OF PRIME MINISTER FUKUDA'S ECONOMIC STIMULUS PACKAGE. MINISTRY REQUESTED AMBASSADOR TO TRANSMIT COPY FOR THE PRESIDENT OF PRIME MINISTER'S STATEMENT TO THE PRESS.

2. STATEMENT REITERATES GOJ DETERMINATION TO ACHIEVE GROWTH RATE OF 6.7 PERCENT AND OUTLINES STIMULUS PACKAGE OF 2 TRILLION YEN (\$7.5 BILLION) BASED ON ADDITIONAL PUBLIC INVESTMENT AND EXPANDED AID TO PRIVATE HOUSING CONSTRUCTION. OTHER STIMULATORY MEASURES ALSO DESCRIBED.

3. TEXT OF FUKUDA STATEMENT FOLLOWS:

THE STATEMENT OF
PRIME MINISTER TAKEO FUKUDA
ON THE OCCASION OF THE ADOPTION OF
THE "COMPOSITE ECONOMIC MEASURES"

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SEPTEMBER 3RD, 1977

THE GOVERNMENT TODAY DECIDED TO ADOPT THE "COMPOSITE ECONOMIC MEASURES". AT THIS OPPORTUNITY, I WOULD LIKE TO EXPRESS MY VIEW ON ECONOMIC POLICY HEREAFTER, AND TO OBTAIN THE UNDERSTANDING OF YOU ALL.

(BASIC PRINCIPLES OF ECONOMIC POLICY)

THE URGENT OBJECTIVE OF ECONOMIC POLICY IS, AMONG OTHERS, TO STRIVE FOR STABLE ECONOMIC RECOVERY IN ORDER TO SECURE THE LIVING OF THE PEOPLE, ESPECIALLY THE STABILIZATION OF EMPLOYMENT, AS WELL AS TO CONTRIBUTE TO THE BALANCED DEVELOPMENT OF THE WORLD ECONOMY.

WHEN WE OBSERVE THE RECENT STATE OF THE JAPANESE ECONOMY, WE FIND IT IS UNDERGOING A MODERATE EXPANSION, PRIMARILY DUE TO INCREASING GOVERNMENT INVESTMENT AND PRIVATE CONSUMPTION. HOWEVER, PRIVATE DEMAND FOR EQUIPMENT AND OTHER INVESTMENT IS NOT SHOWING A STRONG UPSWING AND IMPROVEMENT IN THE EMPLOYMENT SITUATION IS STILL LAGGING. WE CAN ALSO FIND DIFFERENCES IN ECONOMIC PERFORMANCE AMONG INDUSTRIAL SECTORS WITH SOME INDUSTRIES SUFFERING FROM STRUCTURAL PROBLEMS.

ONE CONCERN IS THAT IF THE PRESENT ECONOMIC SITUATION CONTINUES, IT WOULD UNDERMINE THE VITALITY OF THE JAPANESE ECONOMY AND SOCIETY AND EXERT A BAD INFLUENCE ON THE STABLE DEVELOPMENT OF THE JAPANESE ECONOMY IN THE FUTURE. WITH RESPECT TO THE INTERNATIONAL BALANCE OF PAYMENTS, AS JAPAN IS SHOWING A TREND TOWARD A LARGE SURPLUS, REFLECTING THE INTERNAL AND EXTERNAL ECONOMIC SITUATION, IT IS NECESSARY FOR US TO MAKE EVERY EFFORT TO STRIVE FOR ATTAINING AN EXTERNAL EQUILIBRIUM AS A MEMBER OF THE INTERNATIONAL COMMUNITY.

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NATIONAL COMMUNITY.

SINCE THE BEGINNING OF THE YEAR, THE GOVERNMENT HAS IMPLEMENTED A SERIES OF STIMULATING POLICY MEASURES INCLUDING FRONT-LOADED DISBURSEMENTS FOR PUBLIC WORK PROJECTS AND A LARGE CUT IN INTEREST RATES. IN VIEW OF THE PRESENT ECONOMIC SITUATION, WE HAVE TODAY DECIDED TO PROCEED FURTHER BY ADOPTING THE "COMPOSITE ECONOMIC MEASURES" COVERING BOTH PUBLIC AND PRIVATE SECTORS, BEGINNING WITH FINANCIAL AND MONETARY MEASURES. WITH THESE MEASURES WE ARE DETERMINED TO MAKE UTMOST EFFORTS TO ACHIEVE A REAL ECONOMIC GROWTH RATE OF AROUND 6.7 PER CENT, WHICH IS OUR GROWTH TARGET FOR THE PRESENT FISCAL YEAR.

(FISCAL AND FINANCIAL MEASURES TO EXPAND THE ECONOMY)

FROM THIS POINT OF VIEW, WE WILL, FIRST OF ALL, INCREASE DOMESTIC DEMAND BY MAKING ADDITIONAL PUBLIC INVESTMENTS. WE WILL EXPAND THE VOLUME OF PUBLIC INVESTMENTS BY THE GOVERNMENT, GOVERNMENTAL INSTITUTIONS AND LOCAL PUBLIC ENTITIES, IN ORDER TO INCREASE SOCIAL CAPITAL WHICH HAS STRONG DEMAND-CREATING EFFECTS, AND ALSO PROVIDES THE BASIS FOR IMPROVING THE LIVING STANDARDS OF THE PEOPLE. AT THE SAME TIME, WE WILL PROMOTE THE CONSTRUCTION

OF PRIVATE HOUSING WHICH IS VITAL TO THE STABLE LIVING OF THE PEOPLE, BY WAY OF EXPANDING THE LOAN CAPACITY OF THE HOUSING LOAN CORPORATION TO COVER AN ADDITIONAL 100 THOUSAND HOUSES TO COMPLEMENT INCREASED PRIVATE LOANS FOR HOUSING. THE TOTAL SUM OF THE ABOVE-MENTIONED PROJECTS AMOUNTS TO ABOUT 2 TRILLION YEN.

AS FOR MONETARY POLICIES, WE WILL ACCELERATE THE LEVEL-DOWN OF INTEREST RATES AS A WHOLE AND IMPROVE THE QUALITY OF BUSINESS MANAGEMENT IN ORDER TO STRENGTHEN THE VITALITY OF THE PRIVATE ECONOMY AND CONTRIBUTE TO STABLE EMPLOYMENT.

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MOREOVER, WE WILL GIVE SPECIAL CONSIDERATION TO INCREASING PRIVATE DEMAND BY SUCH MEASURES AS PROMOTING PRIVATE EQUIPMENT INVESTMENTS IN ELECTRICITY AND OTHER INDUSTRIES AND AMELIORATING CONDITIONS FOR CONSUMER CREDIT.

WITH RESPECT TO THE PROBLEM OF THE SO-CALLED STRUCTURAL RECESSION, IT SHOULD BE NOTED THAT STRENUOUS EFFORTS ARE BEING STEADILY MADE IN THE PRIVATE ECONOMY TOWARD ADJUSTING PRODUCTION AND EQUIPMENTS, RATIONALIZING MANAGEMENT AND IMPROVING THE STRUCTURE OF ENTERPRISES. THE GOVERNMENT, ON ITS PART, WILL TAKE CAREFULLY THOUGHT-OUT MEASURES WITH A VIEW TO FACILITATING THE SMOOTH CONVERSION OF THE INDUSTRIAL STRUCTURE.

IN ADDITION, WE WILL FURTHER PROMOTE EFFECTIVE MEASURES FOR THE SAKE OF SMALLER ENTERPRISES AND TAKE ALL POSSIBLE MEASURES TO PREVENT ANY INSTABILITY IN EMPLOYMENT.

SUCH POLICY MEASURES, HOWEVER, SHOULD NOT UNDERMINE THE RECENT

STABILIZING TREND OF PRICES. CONSUMER PRICES ARE EXPECTED TO FOLLOW A MORE STABLE TREND IN THE SECOND HALF OF THE PRESENT FISCAL YEAR. IN ORDER TO HOLD THE RATE OF THE CONSUMER PRICE INCREASE IN THIS FISCAL YEAR TO AROUND 7 PER CENT, THE GOVERNMENT

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WILL MAINTAIN SUCH PRICE STABILIZING MEASURES FOR DAILY NECESSITIES AS SECURING LOWER DOMESTIC PRICES FOR IMPORTED GOODS AS A RESULT OF HIGHER YEN QUOTATIONS.

(ADJUSTMENT EFFORTS FOR EXTERNAL EQUILIBRIUM)

AT THE LAST SUMMIT MEETING IN LONDON, JAPAN PROCLAIMED THAT, IN VIEW OF THE DEEPENING INTERDEPENDENCY AMONG INDIVIDUAL ECONOMIES, IT WOULD ENDEAVOR TO ACHIEVE THE TARGET OF A 6.7 PER CENT GROWTH RATE SO AS TO CONTRIBUTE TO THE SUSTAINED NON-INFLATIONARY GROWTH OF THE WORLD ECONOMY. THE MEASURES WE HAVE DECIDED ON TODAY REAFFIRM OUR RESOLUTION TO CONTRIBUTE TO THE SOUND DEVELOPMENT OF THE WORLD ECONOMY BY MAKING IT SURER THAT JAPAN WILL ACHIEVE THE HIGHEST ECONOMIC GROWTH RATE AMONG THE MAJOR DEVELOPED COUNTRIES. THROUGH THESE EFFORTS TO EXPAND THE DOMESTIC ECONOMY, WITH DUE CONSIDERATION TO ACHIEVING AN EXTERNAL EQUILIBRIUM, I BELIEVE THAT THE SURPLUS IN THE BALANCE OF PAYMENTS WILL BE GRADUALLY DECREASED.

(NEW PERSPECTIVE OF THE JAPANESE ECONOMY)

THERE ARE VARIOUS VIEWS ON THE FUTURE PATH OF THE JAPANESE ECONOMY AS VIEWED FROM VARIOUS ANGLES.

ON THE ONE HAND, THERE STILL EXIST VIEWS THAT EXPECT A RETURN TO THE HAPPY PERIOD OF HIGH GROWTH EXPERIENCED IN THE PAST. ON THE OTHER HAND, THERE ARE VIEWS WHICH ATTACH AN UNNECESSARILY PESSIMISTIC TONE TO THE FUTURE OF OUR ECONOMY.

I DO NOT THINK EITHER OF THESE TWO VIEWS IS APPROPRIATE.

WITH THE COMING OF THE AGE OF "LIMITED ENERGY RESOURCES" FOR THE FIRST TIME IN WORLD HISTORY, WE NOW ARE FACING THE GREATEST

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CROSSROAD IN AN'S HISTORY SUCH AS HAS NEVER BEEN EXPERIENCED BEFORE.

THE OIL SHOCK WHICH OCCURRED FOUR YEARS AGO WAS A SYMBOLIC EVENT REPRESENTING SUCH A TURNING-POINT. WITH THIS AS THE

BEGINNING, THE WORLD ECONOMY FELL INTO UNPRECEDENTED CONFUSION WITH AGGRAVATING INFLATION, SERIOUS DEFLATION, UNEMPLOYMENT PROBLEMS, AND INCREASING DEFICITS IN BALANCE OF PAYMENTS. AND WE HAVE YET TO RECOVER FROM THIS CONFUSION.

HOWEVER, IN THE MIDST OF THIS CONFUSION IN THE WORLD ECONOMY, JAPAN, THROUGH THE EARNEST EFFORTS OF EACH AND EVERY ONE OF THE PEOPLE, HAS BEEN ABLE FOR THE MOST PART TO OVERCOME THESE DIFFICULTIES. OUR CONTINUOUS RECOVERY IS MOST REMARKABLE EVEN BY INTERNATIONAL STANDARDS, AND IT IS SAID IN INTERNATIONAL CIRCLES THAT THIS CONSTITUTES THE SECOND MIRACLE OF THE JAPANESE ECONOMY.

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HOWEVER, AS THE OIL SHOCK HAS DEALT AN ESPECIALLY SEVERE BLOW TO OUR ECONOMY WHICH IS HIGHLY DEPENDENT ON IMPORTED OIL, OUR ECONOMY HAS NOT YET FULLY RECOVERED FROM THE DAMAGE IT SUFFERED. IN OTHER WORDS, WE ARE STILL IN A SITUATION WHERE THE RESTRUCTURING OF OUR ECONOMY IN RESPONSE TO THE NEW AGE OF LIMITED RESOURCES IS YET TO COME.

JAPAN'S FUTURE DEPENDS ON WHETHER WE CAN MAKE THE ADJUSTMENT, WHICH IS BEING VIGOROUSLY PURSUED IN BOTH OUR HOMES AND INDUSTRIES. WHEN THIS ADJUSTMENT IS COMPLETED, WE WILL SEE THE DAWN OF A NEW SOCIETY AND A NEW ECONOMY. AND THIS DAWN IS NOW IN SIGHT, I AM FULLY AWARE OF THE HARDSHIPS WHICH MY FELLOW CITIZENS AND OUR INDUSTRIES, ESPECIALLY THOSE RELATED TO SMALL AND MEDIUM SIZED FIRMS AS WELL AS THOSE HARD-HIT BY RECESSION, MUST UNDERGO IN THIS PERIOD OF DRASTIC TRANSITION. MY HEART EVEN ACHES. IT IS TO ALLEVIATE THESE HARDSHIPS AND TO GIVE YOU COURAGE THAT I

DECIDED TO TAKE THESE MEASURES AT THIS TIME.

IN THESE MEASURES, WE HAVE INCORPORATED ALL POSSIBLE POLICY MEASURES UNDER PRESENT FINANCIAL AND MONETARY CONDITIONS, AND INDEED, THE SIZE OF THESE MEASURES IS ENORMOUS.

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I ALSO BELIEVE THAT BY THE IMPLEMENTATION OF THESE MEASURES OUR NATIONAL ECONOMY WILL STEADILY RECOVER, AND THAT THE TRUE FOUNDATION OF A STABLE AND SUSTAINED GROWTH POLICY, WHICH I HAVE BEEN CONTINUOUSLY APPEALING FOR, WILL BE CONSOLIDATED.

IN RESPONSE TO THE TRUST AND RELIANCE OF THE PEOPLE, THE GOVERNMENT IS DETERMINED TO CARRY OUT, TO ITS FULL CAPACITY, ITS RESPONSIBILITY OF MANAGING THE ECONOMY.

IN CONCLUDING MY STATEMENT, I ASK FOR YOUR FULL UNDERSTANDING AND COOPERATION.

MANSFIELD

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Message Attributes

Automatic Decaptioning: X
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To: STATE
Type: TE
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